

**DENHAM SPRINGS/LIVINGSTON HOUSING
AND MORTGAGE FINANCE AUTHORITY**

DECEMBER 31, 2013

DENHAM SPRINGS, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Denham Springs/Livingston Housing and
Mortgage Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Authority's programs presented in the accompanying financial statements as of and for the year ended December 31, 2013, as listed in the table of contents as schedules 1 through 3.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 2013, and the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the programs of the Denham Springs/Livingston Housing and Mortgage Finance Authority, as of December 31, 2013, and the respective changes in financial position and cash flows of each program for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Denham Springs/Livingston Housing and Mortgage Finance Authority's December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As described in Note 6 to the financial statements, in 2013, Denham Springs / Livingston Mortgage Finance Authority adopted a new accounting standard, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Denham Springs / Livingston Mortgage Finance Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Spring, Louisiana
May 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Denham Springs / Livingston Housing & Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- During 2013, still low but rising mortgage loan interest rates continued to cause a significant amount of the Authority's mortgage loans to first time home buyers to be prepaid. Prepayments from mortgage loans (as the underlying collateral for the Mortgage Backed Securities) are used to retire bonds prior to their maturity. Fewer assets results in lower mortgage related interest income and fewer bonds results in lower bond interest expense.
- Total Assets decreased by \$2,844,043 primarily due to mortgage asset related principal paydown. Total Liabilities decreased \$2,613,361 primarily due to the \$2,578,789 reduction in Bonds Payable - Net.
- The Authority's assets exceeded its liabilities at the close of fiscal year 2013 by \$4,920,275, which represents a \$230,682 decrease from 2012. The decrease was caused primarily by the net unrealized losses on investments at December 31, 2013 of \$291,024.
- The Authority's gross revenue for 2013 (exclusive of the "Net Realized and Unrealized Gains / Losses on Investments") decreased \$156,705 over 2012 due primarily to the decrease of interest earned on investments which include the Mortgage Backed Securities (the "MBS's") held as collateral for the various bond issues.
- There was a \$230,682 decrease in the change in net position from the prior year. Net Income was \$60,342 in 2013 as compared to \$78,104 in 2012 (excluding the effect of realized gains and losses and the changes in the fair value of investments), a decrease of \$17,762.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and the supplemental information.

Basic Financial Statements

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Balance Sheet presents the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating. Schedules of Assets, Liabilities and Net Position by Program is on page 21.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed as a result of the current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods. Schedules of Revenues, Expenses and Changes in Net Position by Program is on page 22.

The Statement of Cash Flows presents information showing how the Authority's cash changed as a result of the current year's operations. The cash flow statement is prepared using the direct method and includes the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement No. 34 of the Governmental Accounting Standards Board. Schedules of Cash Flow by Program is on pages 23 and 24.

FINANCIAL ANALYSIS OF THE AUTHORITY

Denham Springs/Livingston Housing and Mortgage Finance Authority Statement of Net Position as of December 31, 2013 and 2012

	<u>2013</u>	<u>Restated 2012</u>	<u>Increase (Decrease)</u>
Cash and Cash Equivalents	\$ 1,700,108	\$ 1,356,242	\$ 343,866
Guaranteed Investment Contracts and Investments	7,238,791	10,418,893	(3,180,102)
Other Assets	<u>32,236</u>	<u>40,043</u>	<u>(7,807)</u>
 Total Assets	 8,971,135	 11,815,178	 (2,844,043)
 Other Liabilities	 54,264	 88,836	 (34,572)
Long-Term Debt Outstanding	<u>3,996,596</u>	<u>6,575,385</u>	<u>(2,578,789)</u>
 Total Liabilities	 <u>4,050,860</u>	 <u>6,664,221</u>	 <u>(2,613,361)</u>
 Net Position:			
Restricted	226,284	481,301	(255,017)
Unrestricted	<u>4,693,991</u>	<u>4,669,656</u>	<u>24,335</u>
 Total Net Position	 <u><u>\$ 4,920,275</u></u>	 <u><u>\$ 5,150,957</u></u>	 <u><u>\$ (230,682)</u></u>

Restricted net position represent the net position that are not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs. Conversely, unrestricted net position is assets for which there are no such limitations.

Net position of the Authority decreased by \$230,682 from December 31, 2012 to December 31, 2013. This decrease in net position can be attributed to the net loss of \$230,682 which is due mainly to realized and unrealized losses in the fair value of securities of (\$291,024). Without giving consideration to these decreases in the fair value of securities, the Authority experienced a gain of \$60,342 in 2013 which is a decrease of \$17,780 over the gain of \$78,104 in 2012.

Denham Springs/Livingston Housing and
Mortgage Finance Authority
Condensed Statement of Changes in Net Position
For the Years Ended December 31, 2013 and 2012

	2013	Restated 2012	Increase (Decrease)
Revenues	\$ (27,139)	\$ 227,650	\$ (254,789)
Expenses - Operating	203,543	342,486	(138,943)
Change in Net Position	<u>\$ (230,682)</u>	<u>\$ (114,836)</u>	<u>\$ (115,846)</u>

Revenue

The Authority's revenues decreased by \$254,789 primarily due to a decrease in Net Realized and Unrealized Gains (Losses) on Investments of \$291,024 in 2013 and a decrease in the earnings on investments of \$158,666 in 2013. Operating expenses decreased \$138,943 in 2013 over 2012 primarily as a result of a decrease in bond interest payments of \$146,169 due to the reduction of bonds.

The Authority's total revenues exclusive of "Net Realized and Unrealized Gains (Losses) on Investments" decreased by \$156,705 from 2012 to 2013 primarily caused by a reduction of Mortgage Related Assets as a result of principal payments and prepayments.

Debt

The Authority had \$3,996,596 in bonds outstanding at the end of 2013, compared to \$6,575,385 at the end of 2012, as shown in the table below.

	2013	2012	Increase (Decrease)
Mortgage Revenue Bonds	<u>\$ 3,996,596</u>	<u>\$ 6,575,385</u>	<u>\$ (2,578,789)</u>

The decreased debt level resulted from the \$2,578,789 in retirement of bonds (either by maturity or early redemption) in the 2000 and 2007 programs from payments and prepayments of mortgage related assets.

The Authority, like most local issuers of tax-exempt bonds, has been affected by the crisis in the financial markets. The bond rating for the 2000 and 2007 bond issues continue to carry the Aaa rating for the debt of its Mortgage Revenue Bonds. None of the Authority's programs contain any sub-prime loans.

The Authority had accounts payable and accrued interest payable of \$54,264 outstanding at 2013 year-end compared with \$88,836 at the 2012 year-end. The decrease is primarily due to the reduction of the "Deferred Servicing Release Fees" and a reduction in Accrued Interest Payable due to a reduction in Bonds Payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- The potential for the continuation of relatively low conventional mortgage loan interest rates continuing into 2014 for the eleventh (11th) consecutive year still stimulating early mortgage loan payoffs (as a result of property sales and mortgage loans refinancing) could result in a net decrease in the Authority's mortgage related assets. Home sales and property values remained stable and increasing in Livingston Parish during 2013 and are expected to continue increasing into 2014.

CONTACTING THE DENHAM SPRINGS / LIVINGSTON HOUSING & MORTGAGE FINANCE AUTHORITY MANAGEMENT

This Financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers and creditors with a general overview of the Denham Springs / Livingston Housing & Mortgage Finance Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

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**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

BALANCE SHEET

AS OF DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

	<u>Totals</u>	
	<u>2013</u>	<u>Restated 2012</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,700,108	\$ 1,356,242
Certificates of Deposit	900,000	1,199,850
Municipal Government Obligations	1,124,930	544,106
FNMA Securities	43,533	92,591
GNMA Securities	2,941,593	4,240,289
FHLMC Securities	2,228,735	4,342,057
Accrued Interest Receivable	32,236	40,043
Total Assets	<u>\$ 8,971,135</u>	<u>\$ 11,815,178</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accrued Interest Payable	\$ 15,960	\$ 26,330
Unearned Servicing Release Fees	38,304	62,506
Bonds Payable - Net	<u>3,996,596</u>	<u>6,575,385</u>
Total Liabilities	4,050,860	6,664,221
Net Position:		
Restricted for Debt Service	226,284	481,301
Unrestricted	<u>4,693,991</u>	<u>4,669,656</u>
Total Net Position	<u>4,920,275</u>	<u>5,150,957</u>
Total Liabilities and Net Position	<u>\$ 8,971,135</u>	<u>\$ 11,815,178</u>

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>Totals</u>	
	<u>2013</u>	<u>Restated 2012</u>
Operating Revenues:		
Interest Earned on Other Investments	\$ 239,683	\$ 398,349
Commitment Fee Income	24,202	22,241
Net Realized and Unrealized Gains (Losses) on Investments	<u>(291,024)</u>	<u>(192,940)</u>
Total Operating Revenues	(27,139)	227,650
Operating Expenses:		
Interest	141,556	287,725
Grants	30,000	30,000
Administrative Fees	9,520	11,210
Operating Expenses	11,267	2,651
Professional Fees	<u>11,200</u>	<u>10,900</u>
Total Operating Expenses	<u>203,543</u>	<u>342,486</u>
Change in Net Position	(230,682)	(114,836)
Net Position - Beginning of Year, As Restated	<u>5,150,957</u>	<u>5,265,793</u>
Net Position - End of Year	<u><u>\$ 4,920,275</u></u>	<u><u>\$ 5,150,957</u></u>

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>Totals</u>	
	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Cash Receipts for:		
Investment Income on Other Investments	\$ 393,618	\$ 530,111
Other Receipts of Amount Due from Escrow	-	993,938
Cash Payments for:		
Interest on Debt	(260,458)	(398,304)
Other Operating Expenses	<u>(61,987)</u>	<u>(54,761)</u>
Net Cash Provided by Operating Activities	71,173	1,070,984
Cash Flows From Investing Activities:		
Purchase of Investments	(663,565)	(1,751,182)
Proceeds from Maturities, Sales and Paydowns of Investments	<u>3,430,717</u>	<u>2,824,816</u>
Net Cash Provided by Investing Activities	2,767,152	1,073,634
Cash Flows From Noncapital Financing Activities:		
Bond Redemptions	(2,470,257)	(2,288,386)
Servicing Release Fees	<u>(24,202)</u>	<u>(22,241)</u>
Net Cash Used in Noncapital Financing Activities	<u>(2,494,459)</u>	<u>(2,310,627)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	343,866	(166,009)
Cash and Cash Equivalents at Beginning of Year	<u>1,356,242</u>	<u>1,522,251</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,700,108</u></u>	<u><u>\$ 1,356,242</u></u>

(CONTINUED)

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Totals	
	2013	Restated 2012
Cash Flows From Operating Activities:		
Change in Net Position	\$ (230,682)	\$ (114,836)
Adjustments to Reconcile Change in Net Position to Net		
Cash Provided by Operating Activities:		
Net Amortization of Investment Discount (Premium)	121,926	102,610
Net Amortization of Bond Discount (Premium)	(108,532)	(100,925)
Net Realized and Unrealized (Gains)		
Losses on Investments	291,024	192,940
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable	7,807	6,911
(Increase) Decrease in Due from Escrow	-	993,938
Increase (Decrease) in Accrued Interest Payable	(10,370)	(9,654)
Net Cash Provided by Operating Activities	\$ 71,173	\$ 1,070,984

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(1) Summary of Significant Accounting Policies

(A) Organization of Authority -

The Denham Springs/Livingston Housing and Mortgage Finance Authority (the "Authority") is a public trust created pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended, by a Trust Indenture dated February 12, 1979. The Authority's primary purpose is to provide means of financing the cost of residential home ownership, development and rehabilitation which will provide decent, safe and sanitary housing for low and moderate income residents of Livingston Parish at prices they can afford, through the Authority's purchase of mortgage loans made to such persons by certain mortgage lenders.

On June 30, 2000, the Authority issued \$5,010,000 Series 2000A Single Family Mortgage Revenue and Refunding Bonds and \$1,140,000 Series 2000B Single Family Mortgage Revenue Bonds. The Series 2000 Bonds are governed by a separate indenture dated June 1, 2000. \$360,000 of the proceeds of the Series 2000A Bonds were used to refund a like amount of the Series 1997 Bonds. The remaining proceeds of the Series 2000A and all of the proceeds of the Series 2000B were used to finance the purchase of fully modified mortgage backed securities guaranteed as to timely payment of principal and interest by GNMA and/or Single-pooled, mortgage-backed securities issued and guaranteed by Fannie Mae. In each case the above securities are backed by pools of qualifying primary residence mortgage loans made by one or more of the participating mortgage lending institutions to qualified persons or families of low and moderate income residing within the stated eligible loan area.

Due to the interest rate environment experienced since the issuance of the Series 2000A and 2000B bonds, in June 2001 the Authority exercised a conversion feature included in the original bond indenture. This conversion feature allowed a portion of the bonds to be converted to Series A-1 and Series B-1 bonds which bear interest at a lower rate than the original issue in order for the mortgage loans to be made at the lower prevailing market interest rates. Therefore, under the conversion feature, \$1,305,000 of the Series 2000A bonds were converted to Series 2000A-1 bonds and \$295,000 of Series 2000B bonds were converted to Series 2000B-1 bonds. The 2000A and A-1 bonds were redeemed in April 2013 and the remaining assets in the fund transferred to the Residual Fund.

In April 2007, the Authority issued \$14,375,000 of Series 2007 (Go Zone) Single Family Mortgage Revenue Bonds to purchase GNMA, FNMA and/or FHLMC securities backed by and based on the mortgage loans made by certain mortgage lending institutions made in the eligible loan area to finance owner-occupied single family residential immovable property

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

located in Livingston Parish to be owned and occupied by low and moderate income families or persons residing in the eligible loan area. The lending institutions assemble these loans into pools in order to permit GNMA, FNMA, and/or FHLMC securities to be issued and therefore to be purchased by the Authority with proceeds of the Series 2007.

The Authority is managed by a Board of Trustees appointed by the City Council of Denham Springs. The Authority's Board of Trustees is empowered under the bond trust indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs the Bank of New York Trust Company and Regions Morgan Keegan Trust as its Program Administrators to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for its mortgage purchase bond program. Under its original single family mortgage purchase bond program, the Authority utilized area financial institutions to originate and service the mortgage loans acquired. In addition, the Bank of New York Trust Company and Regions Morgan Keegan Trust have been designated as the Trustee of the bond programs and have the fiduciary responsibility for the custody and investment of funds.

Although located within the boundaries of the City of Denham Springs, the City does not significantly influence the operations of the Authority nor is the Authority held accountable to the City of Denham Springs for fiscal matters.

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

Based on criteria outlined in Statement No. 61 of the Governmental Accounting Standards Board the Denham Springs/Livingston Housing and Mortgage Finance Authority is considered a related party to the City of Denham Springs.

(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

Measurement Focus - The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements established standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The Authority has no governmental or fiduciary funds.

Basis of Accounting - The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.

The accounts of the Authority are organized on the basis of individual programs. The programs, which are administered by a trustee bank, provide for a separate set of self-balancing accounts which account for bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses. These individual programs are aggregated in the financial statements to comprise the fund of the Authority.

The Authority’s accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financial or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Authority’s principal operating revenues are the interest and appreciation (depreciation) related to investments and mortgages/mortgage-backed securities.

The Authority follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 1989 FASB and AICPA Pronouncements*.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are recorded at fair value. Fluctuations in the fair value of investments are recorded as gains (losses) in the Statements of Revenues, Expenses and Changes in Net Position.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

Summary Financial Information for 2012

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

(2) Bonds Payable -

The outstanding bonds payable at December 31, 2013 consist of the following:

2000 Series A and A-1, Single Family Mortgage Revenue and Refunding

Bonds Maturing Serially monthly with an estimated maturity of

December 31, 2013, with Interest at 7.17% Payable Monthly

\$ -

Add: Unamortized Bond Premium

-

Total 2000 Series

-

2007 Series (Go Zone) Single Family Mortgage Revenue Bonds

Maturing Serially through November 1, 2040, with Interest at

5.00% Payable Monthly

3,830,358

Add: Unamortized Bond Premium

166,238

Total 2007 Series

3,996,596

Total Bonds Payable

\$ 3,996,596

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

A schedule of Changes in Long-Term Debt for the year 2013 is as follows:

	<u>2000 Series A</u>	<u>2007 Series</u>	<u>Totals</u>
Balances at January 1, 2013	\$ 53,530	\$ 6,521,855	\$ 6,575,385
Additions:			
Valued at Par	-	-	-
Premium	-	-	-
Deletions:			
Cash Payments	(50,035)	(2,420,222)	(2,470,257)
Amortization of Premium	<u>(3,495)</u>	<u>(105,037)</u>	<u>(108,532)</u>
Balances at December 31, 2013	<u>\$ -</u>	<u>\$ 3,996,596</u>	<u>\$ 3,996,596</u>

Debt Service requirements to maturity, including interest requirements, are as follows:

	<u>2007 Series</u>
2014	\$ 2,156,900
2015	1,021,713
2016	486,254
2017	231,418
2018	110,137
2019 - 2023	97,574
2024 - Thereafter	2443
Add (Less) Unamortized Premium	<u>166,238</u>
Total Bond Principal and Interest	4,272,677
Less: Portion Representing Interest	<u>(276,081)</u>
Total Principal Outstanding at December 31, 2013	<u>\$ 3,996,596</u>

Computation of annual principal redemptions for Series 2007 are determined by applying the 0% PSA Prepayment Model. The PSA Prepayment Model was developed by the Public Securities Association and is based on various assumptions. Actual principal redemptions may vary.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

(3) Cash and Investments -

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2013, were either completely covered by FDIC insurance or were invested in U.S. treasury money market funds. The Authority also has funds, classified as "Cash and Cash Equivalents" on the Balance Sheet, which represent interests in money market mutual funds. The Authority's investments at December 31, 2013 are recorded at market value as summarized below:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Certificates of Deposit	\$ 900,000	\$ 900,000	\$ -
Municipal Government Obligations	\$ 1,214,898	\$ 1,124,930	\$ (89,968)
FNMA Mortgaged Backed Securities	\$ 39,283	\$ 43,533	\$ 4,250
GNMA Mortgage Backed Loan Pool	\$ 2,860,036	\$ 2,941,593	\$ 81,557
FHLMC Mortgage Backed Securities	\$ 2,170,833	\$ 2,228,735	\$ 57,902

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Individual and Combined Statements of Revenues, Expenses and Changes in Net Position are as follows: realized gains of \$-0-, realized losses of \$25,525, and the net change in unrealized gains (losses) at December 31, 2013 as compared to December 31, 2012 of \$(265,499).

As of December 31, 2013, the Authority's investments had the following maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Certificates of Deposit	\$ 900,000	\$ 900,000	\$ 200,000	\$ 700,000	\$ -	\$ -
Municipal Obligations	1,214,898	1,124,930	-	206,087	826,859	91,984
U.S. Agencies	<u>5,070,152</u>	<u>5,213,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,213,861</u>
Total	<u>\$ 7,185,050</u>	<u>\$ 7,238,791</u>	<u>\$ 200,000</u>	<u>\$ 906,087</u>	<u>\$ 826,859</u>	<u>\$ 5,305,845</u>

Interest Rate Risk. Investments of the Authority's various bond programs are limited to those authorized in the various bond indentures. The Authority does not have a formal investment policy for its residual agency fund that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. However, as a means of limiting its exposure to fair value changes arising from fluctuations in interest rates, the Authority does attempt

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

to ladder the maturities of its investments. The Authority typically buys and holds its investments until maturity or until called. Investments of the residual fund are based on recommendations of the Program Administrators to the members of the Board of Trustees.

Credit Risk. The Authority's investments in U.S. Agencies carry the explicit guarantee of the U.S. government.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013, none of the Authority's bank balance of \$2,592,212 was exposed to custodial credit risk because it was either completely covered by FDIC insurance or was invested in U.S. treasury money market funds and held in trust.

Concentration of Credit Risk. The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority's investments are in GNMA's, and FHLMC's.

(4) Compensation Paid Board Members -

Richard Waldrep	\$ 50
Brent Dugas	50
Gerald Hughes	75
Stacy Jones, Chairman	75
Joseph Kaczrowski	<u>-</u>
	<u>\$ 250</u>

(5) Prior Year's Defeasance of Debt -

On October 31, 2003, the Authority completed a redemption of the outstanding balances of the Series 1992 Class A-1 and Series 1992 Class C Bonds. The Class A Bonds were refunded at par and the total balance redeemed was \$282,543. The Class C Bonds were redeemed with a call premium of 2%. The total balance of the bonds refunded was \$2,593,207 plus the call premium of \$51,864.

In addition, on that same date, the Authority also completed a defeasance of the outstanding balance of the Class B-2 Bonds. Since these bonds are not callable until 2014, the Authority placed \$181,962 of funds in an irrevocable trust with an escrow agent to provide for all future debt payments on these bonds. As a result, these bonds are considered to be defeased and, accordingly, the liability for these bonds has been removed from these financial statements. At December 31, 2013, the par balance of the defeased portion of the bonds is \$300,000.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

(6) Change in Accounting Principle -

The Authority adopted GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Under GASB Statement 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. The Authority had incurred debt financing cost in prior years for the issuance of its 2000 and 2007 bond projects. These costs were previously capitalized as assets and amortized as expense over the duration of the related debt. GASB 65 adopted a definition of cost of issuance on debt by identifying which costs are subject to capitalization. The costs paid by the Authority for debt issuance no longer met the GASB definition. In order to conform to GASB 65, the Authority removed Deferred Financing Costs – Net of Amortization and reduced net position as if the cost was expensed in the period incurred which was prior to December 31, 2011. The following items have been restated as follows:

	2000 Series	2007 Series	Residual Fund	Total December 31, 2011
Net Position - Beginning of Year as Previously Reported	\$ 179,204	\$ 572,505	\$ 4,658,626	\$ 5,410,335
Deferred Financing Cost Adjustment	<u>(2,563)</u>	<u>(141,979)</u>	<u>-</u>	<u>(144,542)</u>
Net Position - End of Year as Restated	<u>\$ 176,641</u>	<u>\$ 430,526</u>	<u>\$ 4,658,626</u>	<u>\$ 5,265,793</u>

The following items on the December 31, 2012 financial statements were adjusted as a result of adopting GASB 65:

	2000 Series	2007 Series	Residual Fund	Total December 31, 2012
Deferred Financing Cost - Net of Amortization at December 31, 2012	\$ 1,105	\$ 104,718	\$ -	\$ 105,823
Add December 31, 2012 Amortization of Deferred Financing Cost	<u>1,458</u>	<u>37,261</u>	<u>-</u>	<u>38,719</u>
Cumulated Effect of Change in Accounting Principle	<u>\$ 2,563</u>	<u>\$ 141,979</u>	<u>\$ -</u>	<u>\$ 144,542</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2013

As a result of adopting the provisions of GASB 65 and removing the Deferred Financing Cost balance, the net loss for the year ended December 31, 2012 was restated from the amount originally reported of (\$153,555) to the restated net loss of (\$114,836). The change occurred because of the removal of the amortization of deferred financing costs of \$38,719. The December 31, 2012 net loss was decreased by \$1,458 in the 2000 Series and by \$37,261 in the 2007 Series bond programs.

SUPPLEMENTARY INFORMATION

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION BY PROGRAM

AS OF DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2012)

	2000 Series	2007 Series	Residual Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ -	\$ 113,775	\$ 1,586,333
Certificates of Deposit	-	-	900,000
Municipal Government Obligations	-	-	1,124,930
FNMA Securities	-	-	43,533
GNMA Securities	-	2,057,716	883,877
FHLMC Securities	-	2,088,900	139,835
Accrued Interest Receivable	-	16,753	15,483
Total Assets	<u>\$ -</u>	<u>\$ 4,277,144</u>	<u>\$ 4,693,991</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Accrued Interest Payable	\$ -	\$ 15,960	\$ -
Unearned Servicing Release Fees	-	38,304	-
Bonds Payable - Net	-	3,996,596	-
Total Liabilities	-	4,050,860	-
Net Position:			
Restricted for Debt Service	-	226,284	-
Unrestricted	-	-	4,693,991
Total Net Position	-	226,284	4,693,991
Total Liabilities and Net Position	<u>\$ -</u>	<u>\$ 4,277,144</u>	<u>\$ 4,693,991</u>

The accompanying notes are an integral part of this statement.

Schedule 1

Totals	
2013	Restated 2012
\$ 1,700,108	\$ 1,356,242
900,000	1,199,850
1,124,930	544,106
43,533	92,591
2,941,593	4,240,289
2,228,735	4,342,057
32,236	40,043
<u>\$ 8,971,135</u>	<u>\$ 11,815,178</u>

\$ 15,960	\$ 26,330
38,304	62,506
<u>3,996,596</u>	<u>6,575,385</u>
4,050,860	6,664,221
226,284	481,301
<u>4,693,991</u>	<u>4,669,656</u>
<u>4,920,275</u>	<u>5,150,957</u>
<u>\$ 8,971,135</u>	<u>\$ 11,815,178</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION BY PROGRAM**

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>2000 Series</u>	<u>2007 Series</u>	<u>Residual Fund</u>
Operating Revenues:			
Interest Earned on Other Investments	\$ 1,685	\$ 130,301	\$ 107,697
Commitment Fee Income	-	24,202	-
Net Realized and Unrealized Gains (Losses) on Investments	<u>(11,209)</u>	<u>(92,939)</u>	<u>(186,876)</u>
Total Operating Revenues	(9,524)	61,564	(79,179)
Operating Expenses:			
Interest	(3,451)	145,007	-
Grants	-	-	30,000
Administrative Fees	-	2,200	7,320
Operating Expenses	8,884	-	2,383
Professional Fees	<u>-</u>	<u>1,500</u>	<u>9,700</u>
Total Operating Expenses	<u>5,433</u>	<u>148,707</u>	<u>49,403</u>
Operating Income (Loss)	(14,957)	(87,143)	(128,582)
Non-Operating Revenue (Expense):			
Transfers In (Out)	<u>(152,917)</u>	<u>-</u>	<u>152,917</u>
Change in Net Position	(167,874)	(87,143)	24,335
Net Position - Beginning of Year, As Restated	<u>167,874</u>	<u>313,427</u>	<u>4,669,656</u>
Net Position - End of Year	<u><u>\$ -</u></u>	<u><u>\$ 226,284</u></u>	<u><u>\$ 4,693,991</u></u>

The accompanying notes are an integral part of this statement.

Schedule 2

Totals	
2013	Restated 2012
\$ 239,683	\$ 398,349
24,202	22,241
<u>(291,024)</u>	<u>(192,940)</u>
(27,139)	227,650
141,556	287,725
30,000	30,000
9,520	11,210
11,267	2,651
<u>11,200</u>	<u>10,900</u>
<u>203,543</u>	<u>342,486</u>
(230,682)	(114,836)
-	-
<u>(230,682)</u>	<u>(114,836)</u>
<u>5,150,957</u>	<u>5,265,793</u>
\$ <u><u>4,920,275</u></u>	\$ <u><u>5,150,957</u></u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

SCHEDULE OF CASH FLOWS BY PROGRAM

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>2000 Series</u>	<u>2007 Series</u>	<u>Residual Fund</u>
Cash Receipts for:			
Investment Income on Investments and Commitment Fees	\$ 2,108	\$ 286,993	\$ 104,517
Other Receipts of Amount Due from Escrow	-	-	-
Cash Payments for:			
Interest on Debt	(330)	(260,128)	-
Other Operating Expenses	<u>(8,884)</u>	<u>(3,700)</u>	<u>(49,403)</u>
Net Cash Provided by (Used in) Operating Activities	(7,106)	23,165	55,114
Cash Flows From Investing Activities:			
Purchase of Investments	-	-	(663,565)
Interfund Investment Transfers	71,171	-	(71,171)
Proceeds from Maturities, Sales and Paydowns of Investments	<u>788</u>	<u>2,414,372</u>	<u>1,015,557</u>
Net Cash Provided by Investing Activities	71,959	2,414,372	280,821
Cash Flows From Noncapital Financing Activities:			
Bond Redemptions	(50,035)	(2,420,222)	-
Servicing Release Fees	-	(24,202)	-
Operating Transfers In (Out) - Net	<u>(152,917)</u>	<u>-</u>	<u>152,917</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(202,952)</u>	<u>(2,444,424)</u>	<u>152,917</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(138,099)	(6,887)	488,852
Cash and Cash Equivalents at Beginning of Year	<u>138,099</u>	<u>120,662</u>	<u>1,097,481</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>	<u><u>\$ 113,775</u></u>	<u><u>\$ 1,586,333</u></u>

(CONTINUED)

Schedule 3

Totals	
2013	2012
\$ 393,618	\$ 530,111
-	993,938
(260,458)	(398,304)
<u>(61,987)</u>	<u>(54,761)</u>
71,173	1,070,984
(663,565)	(1,751,182)
-	-
<u>3,430,717</u>	<u>2,824,816</u>
2,767,152	1,073,634
(2,470,257)	(2,288,386)
(24,202)	(22,241)
<u>-</u>	<u>-</u>
<u>(2,494,459)</u>	<u>(2,310,627)</u>
343,866	(166,009)
<u>1,356,242</u>	<u>1,522,251</u>
\$ <u><u>1,700,108</u></u>	\$ <u><u>1,356,242</u></u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

SCHEDULE OF CASH FLOWS BY PROGRAM (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>2000 Series</u>	<u>2007 Series</u>	<u>Residual Fund</u>
Cash Flows From Operating Activities:			
Operating Income (Loss)	\$ (14,957)	\$ (87,143)	\$ (128,582)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Net Amortization of Investment Discount (Premium)	-	121,926	-
Net Amortization of Bond Discount (Premium)	(3,495)	(105,037)	-
Net Realized and Unrealized (Gains) Losses on Investments	11,209	92,939	186,876
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest Receivable	423	10,564	(3,180)
(Increase) Decrease in Due from Escrow	-	-	-
Increase (Decrease) in Accrued Interest Payable	<u>(286)</u>	<u>(10,084)</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (7,106)</u>	<u>\$ 23,165</u>	<u>\$ 55,114</u>

The accompanying notes are an integral part of this statement.

Schedule 3
(Continued)

Totals	
2013	Restated 2012
\$ (230,682)	\$ (114,836)
121,926	102,610
(108,532)	(100,925)
291,024	192,940
7,807	6,911
-	993,938
(10,370)	(9,654)
\$ <u>71,173</u>	\$ <u>1,070,984</u>

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Denham Springs/Livingston Housing and
Mortgage Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bougeois, CPA

Denham Spring, Louisiana
May 15, 2014

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2013

A. Findings - Internal Control Over Financial Reporting

None

B. Findings - Compliance and Others Matters

None

**DENHAM SPRINGS/LIVINGSTON HOUSING AND
MORTGAGE FINANCE AUTHORITY**
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2013

A. Findings - Internal Control Over Financial Reporting

None

B. Findings - Compliance and Others Matters

None